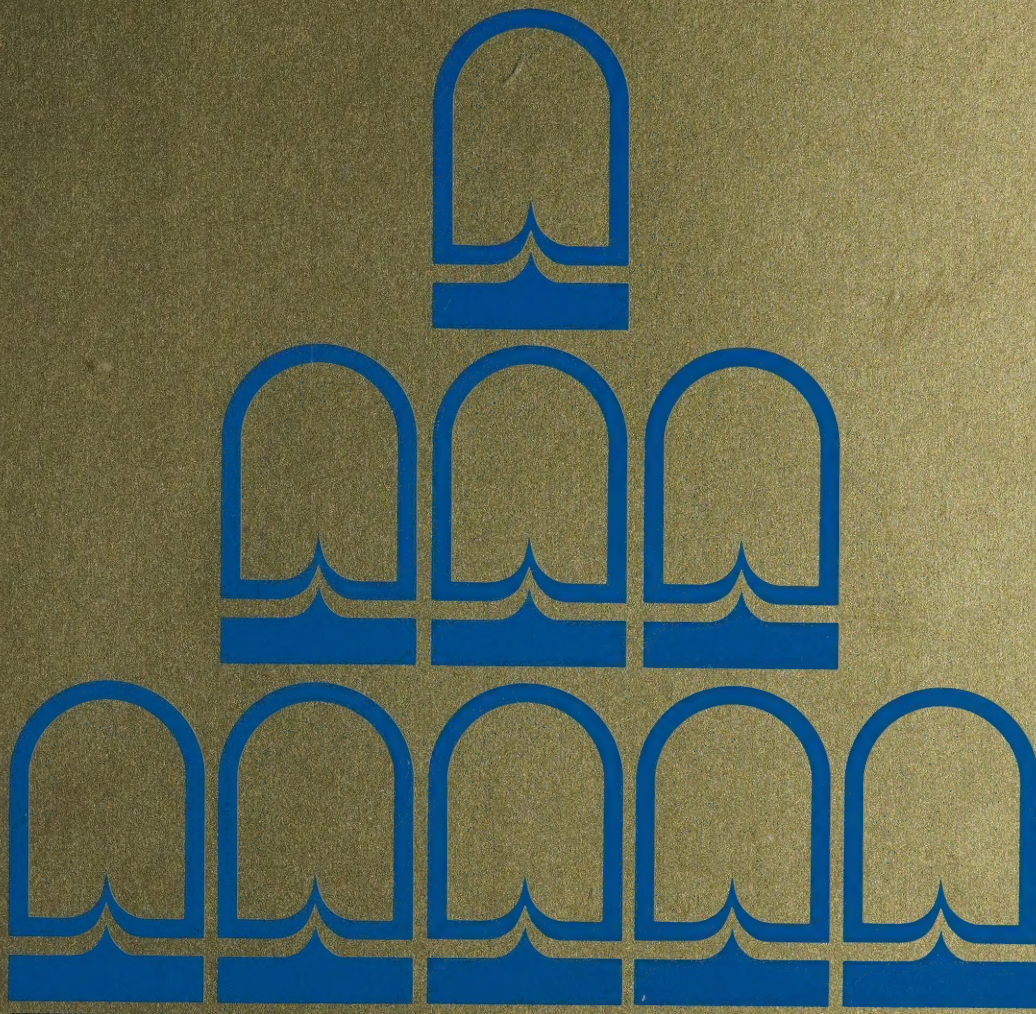


AR30



ANNUAL  
REPORT  
1971

CANADIAN  
**GOLDALE**  
CORPORATION LIMITED





## CANADIAN GOLDALE CORPORATION LIMITED

### DIRECTORS OF THE COMPANY

Percy C. Finlay, Q.C., Toronto  
Arthur H. Honsberger, B.Sc., Brampton  
Stanley L. Jaske, Toronto  
Kenneth A. Roberts, M.D., Toronto  
John L. Toole, Montreal  
Charles F. Watson, Brampton  
Burton Winberg, Toronto

### OFFICERS OF THE COMPANY

Kenneth A. Roberts, M.D.  
Chairman of the Board  
Charles F. Watson  
President  
Arthur H. Honsberger, B.Sc.  
Vice-President  
Percy C. Finlay, Q.C.  
Secretary-Treasurer  
Stanley A. Senn, C.A.  
Comptroller

### GENERAL COUNSEL AND SOLICITORS

Holden, Murdoch, Walton, Finlay, Robinson  
2400 Bank of Nova Scotia Building  
44 King Street West  
Toronto, Ontario

### AUDITORS

Collins, Love, Eddis, Valiquette & Barrow  
Chartered Accountants  
110 Yonge Street  
Toronto, Ontario

### SHARE CAPITAL

Common shares listed on  
Toronto Stock Exchange  
and Canadian Stock Exchange

### REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust Company  
1901 Yonge Street  
Toronto, Ontario

### HEAD OFFICE

2400 Bank of Nova Scotia Building  
44 King Street West  
Toronto, Ontario

### GENERAL OFFICES

170 Kennedy Road South  
Brampton, Ontario

### FINANCIAL HIGHLIGHTS

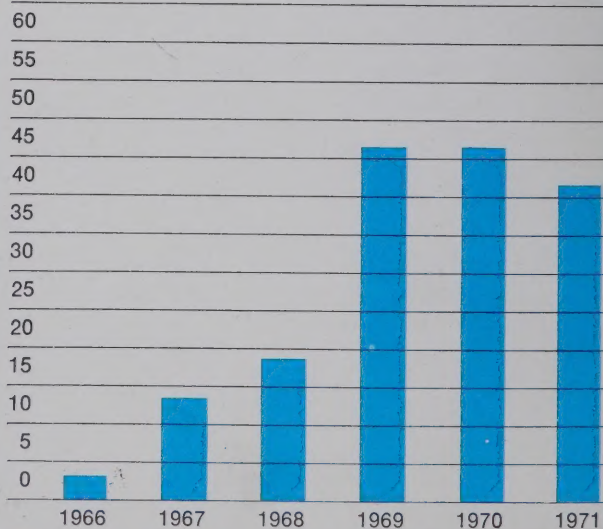
	1971	1970 (Re-stated)
Income before income taxes	\$ 603,000	\$ 934,000
Per share	.21	.33
Cash flow from operations	411,000	359,000
Per share	.14	.13
Net income	305,000	485,000
Per share	.11	.17
Average number of shares outstanding	2,858,124	2,858,124
Gross rental revenue	2,925,000	2,326,000

### AUDIT COMMITTEE

Kenneth A. Roberts, M.D.  
Stanley L. Jaske,  
Burton Winberg

### Total Assets

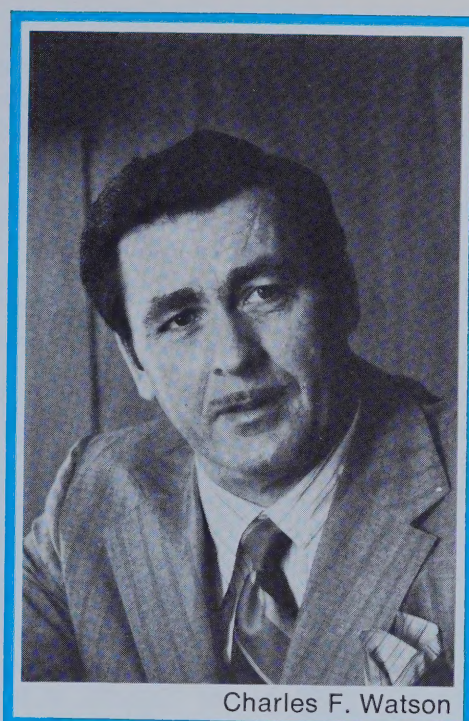
\$ Millions







Kenneth A. Roberts, M.D.



Charles F. Watson

## PRESIDENT'S REPORT

### REPORT TO SHAREHOLDERS:

Your Directors are pleased to submit herewith the Annual Report for Canadian Goldale Corporation Limited, including the consolidated financial statements of your Company and its subsidiaries for the year ending December 31, 1971.

In the past year, your Directors made a number of major decisions pertaining to financial statement pooling of interest reporting, evaluation of areas of growth and the corporate expansion more related to the "complete financial services to the public" always with the emphasis on the related real estate industry, where your management has a history of successful experience.

Since the purchase of approximately 93% of the common shares in June, 1969 of Aetna-Goldale Investments Limited we have consolidated the accounts of AETNA into the Goldale statements on a share purchase basis for the balance of the year 1969 and 1970. Your Directors have concluded that in respect to the reporting of this subsidiary (Aetna-Goldale Investments Limited) that to more informatively report the combined operations of these two companies, the pooling of interests method of reporting more appropriately discloses the economic effect of the combined operations. Consequently AETNA is included and reported in 1971 on this basis. The full effect and explanation of this change is set out in Note 2 to the financial statements.

Your Directors on November 1, 1971 concluded the sale of 75% (our total holdings) share interest in Goldale Inns & Restaurants Limited to John L. Bitove the Vice President of that Company. The selling price yielded a net gain of \$74,000 which will be included as income as the cash proceeds related to the sale are received. Your Company was relieved from all franchise commitments.

Millmink Developments Limited, a subsidiary of Aetna-Goldale Investments Limited cancelled its agreement of sale and its option agreement with Graydon Hall Estates Limited on its "Forest Hills" lands in order to regain control of the remaining property.

### ONTARIO TRUST COMPANY

Of major importance to the future growth of the financial services of your Company was an agreement dated November 18, 1971 by the Boards of Directors of Northland Trust Company, Central Ontario Trust & Savings Corporation and Central Ontario Savings and Loan Corporation for the union of these three companies into one major Trust Company, Ontario Trust Company.



This important event, in addition to integrating three vigorous growing entities, lays the foundation for an enterprise destined to become a major force in the industry. Ontario Trust Company has total assets in excess of \$110,000,000 and at present we hold a 41% interest in the Company. Your Directors believe this will make a very important contribution to the future growth of your Company.

Shoppers' World Albion continues to operate up to expectations. During the year a complete analysis of the market and surrounding area was made, showing the need for additional expansion. To keep abreast of the trading area and expanding population, a further major expansion and capital outlay is indicated and this is presently under review.

During the 1970 and 1971 period 319 Condominium townhouse projects were completed as joint ventures, in three locations, of which over 80% of these have now been sold.

#### APARTMENT RENTAL DIVISION

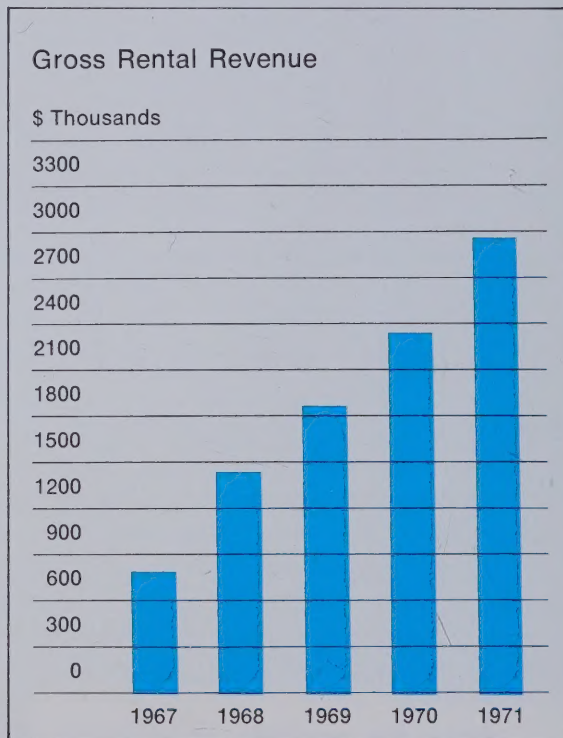
Your Company owns eight apartment buildings containing 880 suites in the Eglinton Avenue-Don Mills Road area of Metropolitan Toronto. Because of the strategic location, the excellent transportation facilities, and easy access to the central core of Toronto, it has experienced a high occupancy rate since acquisition. You will note the accompanying revenue chart which we expect to continue in an upward trend.

#### AFFILIATED COMPANIES

Your Company continues to own a substantial interest in Peel-Elder Limited. Peel-Elder Limited had another successful year in 1971, the best in its history, with a net profit of \$1,134,000 and with earnings applicable to common stock before non-cash charges of \$2,245,000. This Company has developed an impressive record of growth in all phases of land development, housing, apartments, commercial and industrial projects.

On a 50/50 joint venture with Peel-Elder Limited, your Company, some years ago, purchased a large block of land for a "new town concept" fronting on the Detroit-Windsor-Toronto 401 Highway in the Preston-Kitchener area of Central Ontario. This Peel Village Highlands (our proposed new planned community) has, during the period, invited contractors to submit tenders for the installation and construction of sewers, roads, etc., to service the first stage of development for 1,100 housing units, shopping centre site, and other areas for development. This has been finalized and is now awaiting a final Government agency approval that will allow us to commence an active building and selling program within this new proposed community.

Your company continues to operate soundly in all areas of its endeavors, with your Directors continuing to analyze and evaluate the best possible ways to employ the corporate assets for future growth and profit.



Respectfully submitted

On behalf of the Board

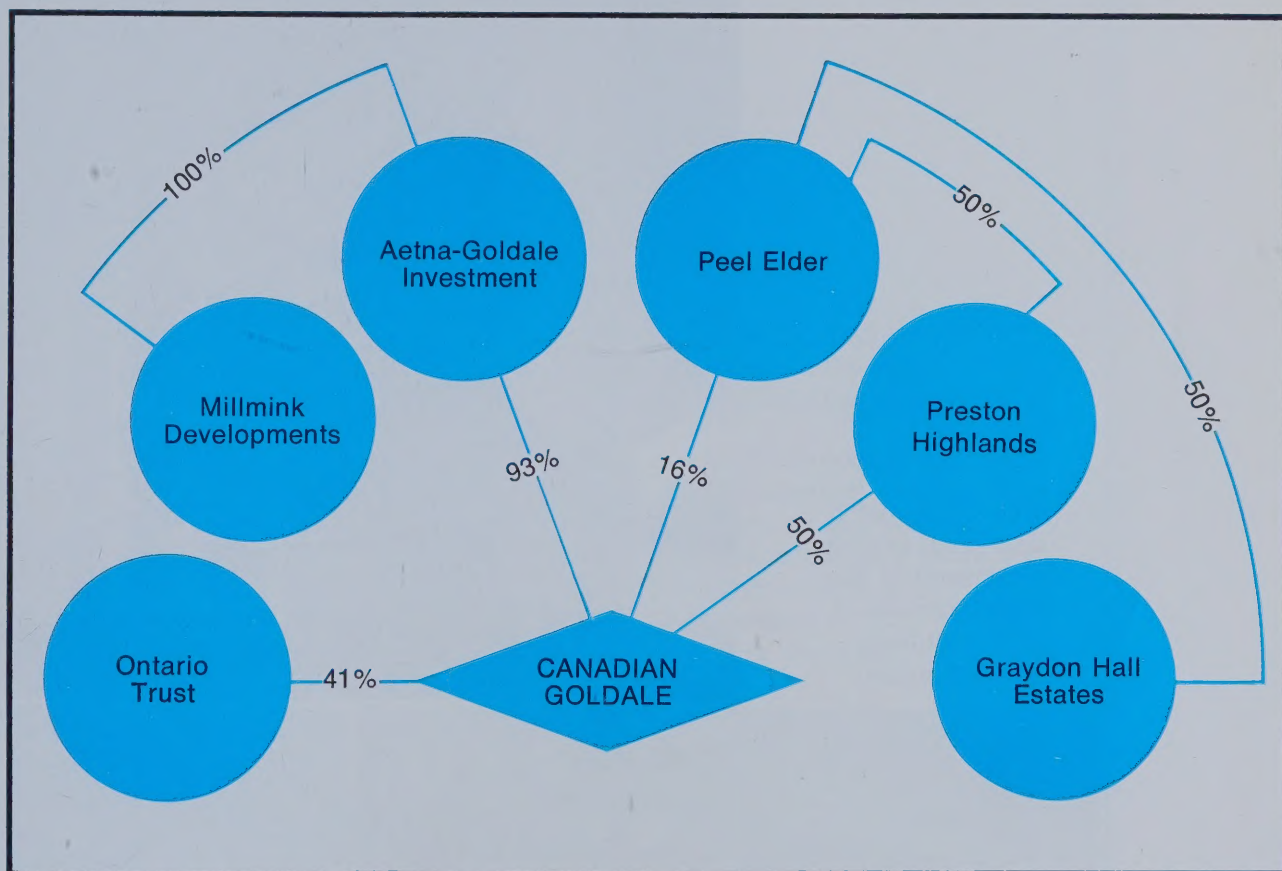
CHARLES F. WATSON,  
President.





# Canadian Goldale Corporation Limited

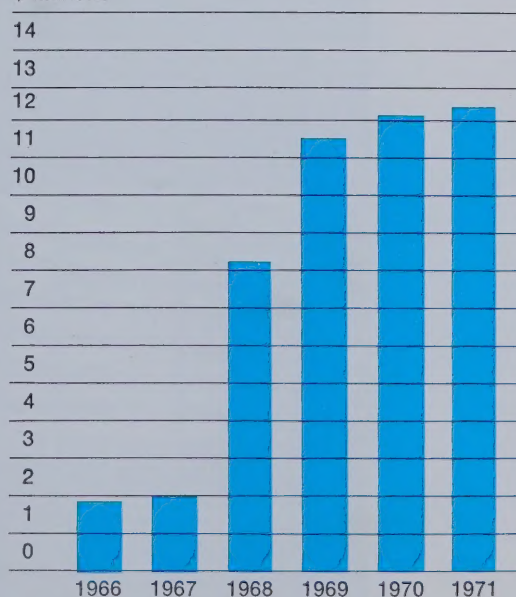
*its Subsidiaries and affiliated Companies*



NET INCOME  
\$ Thousands



SHAREHOLDERS' EQUITY  
\$ Millions







## FLEMINGDON PARK APARTMENTS DIVISION

This functional apartment complex purchased in May 1967, consists of eight buildings and 880 suites.



Centrally located in the Eglinton Avenue, Don Mills Road area of Toronto







These photographs amply illustrate the solid architectural designs.


Sound property management ensures excellent maintenance. High occupancy steadily contributes to your Company's rental program.

### Gross Rental Revenue

\$ Thousands







## SHOPPERS' WORLD - ALBION DIVISION



This large regional enclosed centre, has over 100 exciting stores all located in climatically controlled comfort.

Shoppers' World Albion means true one-stop family shopping. Here are many of Canada's leading merchants, department store, food, fashion, boutiques, specialty shops. PLUS gourmet restaurants and luxurious first-run movie theatres.



Aerial view of Shoppers' World Danforth.



Shoppers' World Albion associated with the ever-expanding Peel-Elder chain of shopping centres including the fabulous Shoppers' World Brampton and dynamic Shoppers' World Danforth.

Shoppers' World Brampton.





## TOWN HOUSE PROJECTS COMPLETED IN 1971



Three townhouse condominium projects were constructed in 1970/71 as joint ventures. Shown here is part of a 143 town house project in Westwood-Malton that was completed and sold in 1971.



Shown here is part of Cloisters Albion, a project now fully sold.

## SHOPPERS' WORLD BRAMPTON CONTINUES TO EXPAND

Peel-Elder Limited heralds a great new era in August 1972, the expansion of many additional top flight stores, including a major Simpsons Department Store that will be open during that month.







## CANADIAN GOLDALE'S FINANCIAL INTEREST — ONTARIO TRUST COMPANY



As a result of the integration of three affiliated predecessor companies, Central Ontario Savings and Loan Corporation, Northland Trust Company and Central Ontario Trust and Savings Corporation, a newly created major trust company known as Ontario Trust Company came into existence December 31, 1971.

Ontario Trust Company has 15 branches throughout the province, four are located in Toronto and also in Brampton, Cornwall, Kapuskasing, Kingston, Kirkland Lake, North Bay, Oshawa, Ottawa, Sudbury, Timmins and Windsor.



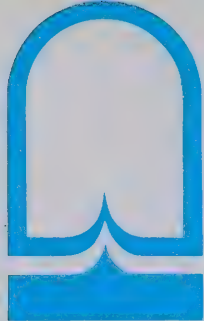




Total assets are presently in excess of \$110,000,000. The company is also a member of the Canada Deposit Insurance Corporation and offers full trust company services to its more than 100,000 customers in the province of Ontario.



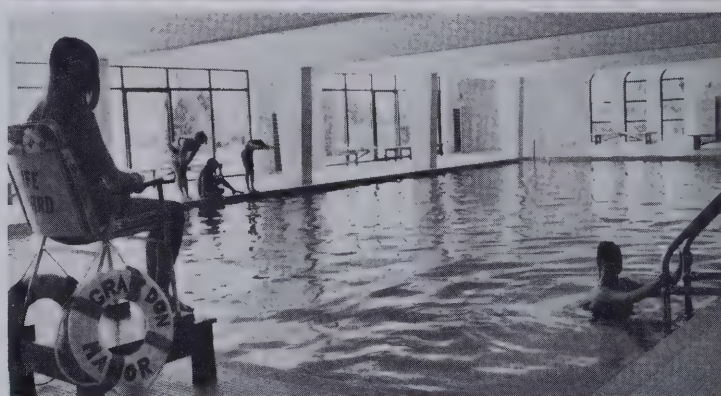




## GRAYDON HALL ESTATES

This beautiful architectural complex is strategically located in Don Mills, minutes from downtown Toronto and the 401 expressway. The Graydon Hall project continues to maintain a steady growth rental income pattern through the Peel-Elder construction and property management division.

Graydon Hall Estates Limited, which owns the Graydon Hall project and the Forest Hills Condominium project, is owned equally by Peel-Elder Limited and Canadian National Railway, Trustee for the Canadian National Railways Pension Trust Fund.



## FOREST HILLS COMMUNITY

Superbly located in North-Central Toronto, this architecturally exciting project literally breathes luxury and offers a new dimension in living. The first two buildings have been constructed and are presently being rented and sold as condominiums by Graydon Hall Estates Limited.







## A TOTAL COMMUNITY BY PEEL-ELDER LIMITED

### PEEL VILLAGE BRAMPTON

A thriving community of schools, churches, commercial development, new industry and miles of all types of housing. This "NEW TOWN" concept stands today as a model for others.

Over the past 13 years, Peel-Elder Limited remains one of the very few management teams who have profitably developed and built an entirely new community. The skilled teamwork that brought American Motors and other great industries to Peel Village, is currently busily engaged in apartment building and commercial construction.



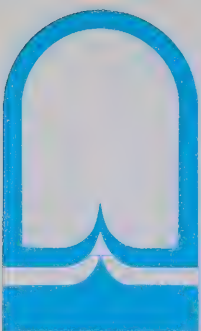
### PEEL VILLAGE HIGHLANDS

Aerial view shows the natural beauty of the Peel Village Highlands site at Preston, Ontario, overlooking the scenic Grand River, strategically located within 100 mile radius of 35% of Canada's consumer market.

Good things don't just happen, Peel Village Highlands will be built with the same aggressive foresight that made Peel Village Brampton a success story. Construction slated for 1972.







## CANADIAN GOLDALE CORPORATION LIMITED and Its Subsidiaries

(Incorporated under the laws of Ontario)

### CONSOLIDATED BALANCE SHEET DECEMBER 31, 1971

(Thousands of dollars)

	1971	1970 (Re-stated)	1969 (Re-stated)
<b>ASSETS</b>			
Cash .....	\$ 2	\$ 33	\$ 5,029
Accounts receivable .....	389	2,474	894
Mortgages receivable and balances due under agreements of sale (note 3) .....	2,872	5,059	6,300
Land held for development and sale, at cost .....	7,879	5,195	7,423
Income-producing properties, at cost less accumulated depreciation of \$611,000 (1970, \$447,000; 1969, \$297,000) (note 4) .....	18,963	19,352	15,176
Investments (note 5) .....	10,566	11,605	8,774
Other fixed assets, at cost less accumulated depreciation of \$59,000 (1970, \$70,000; 1969, \$53,000) .....	39	344	387
Prepaid expenses and sundry assets .....	176	594	621
	<u>\$ 40,886</u>	<u>\$ 44,656</u>	<u>\$ 44,604</u>

The accompanying notes are an integral part of this financial statement.

Approved on behalf of the Board, KENNETH A. ROBERTS director

CHARLES F. WATSON director





	1971	1970 (Re-stated)	1969 (Re-stated)
<b>LIABILITIES</b>			
Bank indebtedness (note 6) .....	\$ 1,530	\$ 1,140	\$ 1,675
Accounts payable and accrued expenses .....	864	3,014	2,004
Income taxes payable (note 7(a) ) .....		179	526
Tenants' rental deposits .....	138	135	130
Mortgages, notes and similar indebtedness (note 8) .....	24,895	25,269	25,398
Deferred income taxes (note 7(b) ) .....	797	626	461
Deferred profit on land sale .....		1,844	2,437
Minority shareholders' interest .....	235	327	336
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock (note 9)			
Authorized			
7,500,000 shares of no par value			
Issued			
2,858,124 shares .....	9,248	9,248	9,248
Contributed surplus .....	605	605	605
Retained earnings .....	2,574	2,269	1,784
	<u>12,427</u>	<u>12,122</u>	<u>11,637</u>
	<u>\$ 40,886</u>	<u>\$ 44,656</u>	<u>\$ 44,604</u>

## AUDITORS' REPORT

To the Shareholders,  
Canadian Goldale Corporation Limited

We have examined the consolidated balance sheet of Canadian Goldale Corporation Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of retained earnings, income and source and use of funds for the year then ended. Our examination of the financial statements of Canadian Goldale Corporation Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of one of the subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the changes in accounting practices referred to in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Toronto, Canada  
May 5, 1972

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW  
CHARTERED ACCOUNTANTS





# CANADIAN GOLDALE CORPORATION LIMITED and Its Subsidiaries

(Incorporated under the laws of Ontario)

## CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1971

(Thousands of dollars)

	1971	1970 (Re-stated)	1969 (Re-stated)
<b>GROSS REVENUE</b>			
Rentals .....	\$ 2,925	\$ 2,326	\$ 1,826
Investment income .....	548	711	591
Land sales .....	454	1,090	790
Townhouse sales .....	2,271	855	
Franchise and restaurant sales .....		1,125	690
Equity in income of unconsolidated subsidiary and affiliated companies .....	568	336	225
	<u>\$ 6,766</u>	<u>\$ 6,443</u>	<u>\$ 4,122</u>
<b>NET OPERATING INCOME</b>			
Net rentals before depreciation .....	\$ 540	\$ 316	\$ 164
Investment income .....	548	711	591
Profit on land sales before write-off of \$374,000 shown below .....	248	593	465
Profit on townhouse sales .....	230	142	
Franchise and restaurant income .....		80	171
Equity in income of unconsolidated subsidiary and affiliated companies .....	568	336	225
	<u>2,134</u>	<u>2,178</u>	<u>1,616</u>
Administrative and general expenses .....	341	524	492
Interest expense .....	676	547	322
Depreciation .....	186	206	155
Minority interest in income of subsidiaries .....	8	(9)	18
	<u>1,211</u>	<u>1,268</u>	<u>987</u>
Write-off on termination of agreement with developer of Forest Hills project .....	374		
	<u>1,585</u>	<u>1,268</u>	<u>987</u>
Income before income taxes and extraordinary items .....	549	910	629
Income taxes			
Current .....	127	281	372
Deferred .....	171	168	
Income before extraordinary items .....	<u>251</u>	<u>461</u>	257
Extraordinary items (note 11) .....	54	24	173
<b>NET INCOME FOR THE YEAR (note 12)</b>	<u>\$ 305</u>	<u>\$ 485</u>	<u>\$ 430</u>

share comp

0.09 0.16

0.11 0.17





## CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1971

(Thousands of dollars)

	1971	1970 (Re-stated)	1969 (Re-stated)
BALANCE, BEGINNING OF THE YEAR			
As previously reported .....	\$ 469	\$ 516	\$ 394
Adjustments to reflect retroactively the adoption of the pooling of interests method of accounting (note 2):			
Retained earnings of Aetna-Goldale Investments Limited at date of pooling .....	960	960	960
Reversal of write-off of portion of excess of cost of Aetna shares over their book value .....	865	333	
Cash cost of acquisition of Aetna shares in 1969 .....	(25)	(25)	
As re-stated .....	2,269	1,784	1,354
Net income for the year .....	305	485	430
Balance, end of the year .....	<u>\$ 2,574</u>	<u>\$ 2,269</u>	<u>\$ 1,784</u>

## CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1971

(Thousands of dollars)

	1971	1970 (Re-stated)	1969 (Re-stated)
SOURCE OF FUNDS			
Current operations			
Net income for the year .....	\$ 305	\$ 485	\$ 430
Non-cash items included in the determination of net income (note 13)	106	(126)	(345)
	411	359	85
Decrease in accounts and mortgages receivable .....	1,613	648	(4,366)
Decrease in investment in joint realty developments .....	237	(478)	(325)
Increase in bank indebtedness .....	450	4,460	824
Issue of debentures .....		400	4,600
Issue of common shares .....			315
Issue of shares of subsidiary company to minority shareholders .....			125
Profit deferred on land sales .....			4,092
Mortgage proceeds .....		3,500	
	<u>\$ 2,711</u>	<u>\$ 8,889</u>	<u>\$ 5,350</u>
USE OF FUNDS			
Additions to income-producing property .....	\$ 147	\$ 4,201	\$ 37
Increase of land held for development .....	4	(122)	2,072
Repayment of notes .....	200	2,000	619
Investment in non consolidated subsidiary and affiliated companies .....	345	1,543	2,119
Decrease in accounts payable .....	1,716		
Decrease in income taxes payable .....	179		
Repayment of mortgage principal .....	107	646	273
Net change in other assets and liabilities .....	13	621	230
	<u>\$ 2,711</u>	<u>\$ 8,889</u>	<u>\$ 5,350</u>



# CANADIAN GOLDALE CORPORATION LIMITED and Its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1971

### 1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies except Ontario Trust Company. A subsidiary, Aetna-Goldale Investments Limited ("Aetna"), is included in 1971 on a pooling of interests basis. Aetna was acquired in 1969 by the issue of 1,162,584 shares of the company at an attributed value of \$13,959,000 and was included in prior years' consolidated financial statements as a purchase transaction. The consolidated financial statements for 1970 and 1969 have been retroactively restated on the pooling basis for this subsidiary. The effect of this change in accounting practices is more fully set out in note 2. Other subsidiaries will continue to be accounted for on a purchase basis.

Ontario Trust Company was formed in 1971 by the merger of two trust companies and the purchase of assets of a savings and loan corporation, in each of which the company or its subsidiaries had a significant interest. The investment in Ontario Trust is stated at cost of the original interests (\$5,171,000) plus equity in undistributed earnings since acquisition of \$130,000 of which \$74,000 represents equity in reported income for 1971.

A 75% owned subsidiary, Goldale Inns and Restaurants Limited, was sold during 1971. The net gain on disposal of \$74,000 includes the company's share of income for the portion of 1971 prior to sale. This net gain will be included in income as the cash proceeds related to the sale transaction are received.

### 2. CHANGES IN ACCOUNTING PRACTICES

Note 1 refers to the inclusion of the accounts of Aetna in 1971 as a pooling of interests and the restatement of prior years' accounts to give retroactive effect to this method of reporting. The company, in adopting this method, has concluded that the pooling basis most appropriately discloses the economic effect of the combined operations of the two companies. Under this method, assets and liabilities of the companies are brought forward into the consolidation at the values shown in the separate accounts of the company and of Aetna. After making appropriate adjustment for the 6.7% minority interest, the capital stock issued by the company for the shares of Aetna is therefore included at the stated value of the issued capital stock on the books of Aetna (\$1,163,000) and the retained earnings (\$960,000) and contributed surplus (\$605,000) of Aetna have been brought forward at their stated amounts at May 31, 1969, the date of pooling.

Since this pooling is being reported retroactive to 1969, the carrying value of assets previously reported in the consolidated balance sheets as at December 31, 1970 and 1969 has been reduced as follows:

	(Thousands of dollars)	
	1970	1969
Land held for development and sale and related deferred profit .....	\$ 3,859	\$ 4,378
Investment in joint realty developments .....	3,219	3,232
Income-producing properties .....	2,214	2,214
Investment in affiliated companies .....	1,098	1,098
	10,390	10,922
Portion thereof written-off to retained earnings - in 1969 .....	333	333
- in 1970 .....	532	
	<u>\$ 11,255</u>	<u>\$ 11,255</u>

These reductions in the carrying value of assets retroactive to 1969 result in lesser charges against income in years subsequent to 1969 on the amortization or disposition of the relevant assets.

The consolidated statement of income for the year ended December 31, 1971 includes comparative figures for 1970 and 1969 which have been restated to conform to the pooling basis of reporting Aetna's income for those years. At the same time the company is adopting, in respect of those subsidiaries accounted for on a purchase basis, the research recommendations of the Canadian Institute of Chartered Accountants. These recommendations require that the write off of the excess cost of a subsidiary's shares over the book value of its underlying assets be reported as an element in the determination of annual

income rather than being a direct charge to retained earnings. The following reconciliation summarizes the effects of the changed basis of reporting:

	(Thousands of dollars)		
	1971	1970	1969
Net income for the year on the basis of continuing to apply the accounting practices followed by the company in prior years .....	\$ 747	\$ 709	\$ 646
Adjustment to include the write-off of a portion of the excess cost of subsidiaries' shares in determination of income rather than as a charge to retained earnings .....	3,777	756	525
Net income (loss) for the year, in accordance with generally accepted accounting principles, on the basis of treating acquisition of all subsidiaries as purchase transactions .....	(3,030)	(47)	121
Restatement of income to conform to the pooling basis of reporting Aetna's income for each of the years .....	3,335	532	309
Restated net income for the year reported in the consolidated statement of income ..	<u>\$ 305</u>	<u>\$ 485</u>	<u>\$ 430</u>

Included in the above 1971 loss figure is a write-off of \$3,481,000 which would have been necessary on a purchase basis of accounting as a result of the termination of an agreement with a developer relating to the Forest Hills project.

### 3. MORTGAGES RECEIVABLE AND BALANCES DUE UNDER AGREEMENTS OF SALE

	(Thousands of dollars)		
	1971	1970	1969
Mortgages on real estate .....	\$ 2,196	\$ 1,609	\$ 1,760
Chattel mortgages .....	365		
Balances due under agreements .....	311	3,450	4,540
	<u>\$ 2,872</u>	<u>\$ 5,059</u>	<u>\$ 6,300</u>

Of the balance outstanding at December 31, 1971, \$112,000 is due in 1972 and \$503,000 is due in 1973.

### 4. INCOME-PRODUCING PROPERTIES

Depreciation on the building portion of these properties is calculated according to the sinking fund method under which an increasing amount consisting of a fixed annual sum, together with interest compounded at the rate of 5% per annum, is charged to income in order to depreciate the buildings fully over a period of 45 years.

### 5. INVESTMENTS

	(Thousands of dollars)		
	1971	1970	1969
Joint realty developments ..	\$ 1,685	\$ 3,594	\$ 2,652
Subsidiary not consolidated:			
Ontario Trust Company (or its predecessors - note 1) 576,323 shares ..	5,301	4,837	3,243
Affiliated company:			
Peel-Elder Limited 235,320 shares (quoted market value 1971 - \$3,353,000; 1970 - \$2,623,000; 1969 - \$3,897,000) .....	3,476	3,048	2,702
Other securities at cost (quoted market value 1971 - \$180,000; 1970 - \$154,000; 1969 - \$167,000) ..	104	126	177
	<u>\$ 10,566</u>	<u>\$ 11,605</u>	<u>\$ 8,774</u>



- (a) A subsidiary is a participant in three realty developments under which 319 dwelling units have been constructed. At December 31, 1971 these realty developments had assets of \$3,192,583 and liabilities of \$1,728,512.
- (b) The company is a 50% participant with Peel Village Developments Co. Limited, a subsidiary of Peel-Elder Limited, in the acquisition and development of land for commercial, industrial and residential purposes (Peel Village Highlands) at Preston, Ontario.
- (c) The shares of Ontario Trust Company were listed on the Toronto Stock Exchange on January 6, 1972. No quoted market value was available at December 31, 1971.
- (d) The investment in Peel-Elder Limited is carried at cost plus \$600,000 being the company's share of undistributed earnings since acquisition. Because of the number of shares involved, the quoted market value of the Peel-Elder shares is not necessarily indicative of the amount which would be realized if they were to be sold.

#### 6. BANK INDEBTEDNESS

In addition to the \$1,530,000 shown on the balance sheet, the companies are obligated to the bank for \$4,599,000 in connection with letters of credit given as security for the notes payable to former shareholders of Millmink Developments Limited. The \$4,599,000 will become payable as the notes fall due and includes the maximum interest which may accrue after December 31, 1971. The bank holds as security for the total obligations shares of Millmink Developments Limited, 564,555 shares of Ontario Trust Company and 111,000 shares of Peel-Elder Limited as well as assignment of specified book debts.

#### 7. INCOME TAXES

- (a) No provision has been made for income taxes, if any, which may arise in connection with amounts realized from investment transactions, since it is impractical to estimate the amount of such taxes.
- (b) Taxes are deferred as a result of claiming for tax purposes capital cost allowance greater than the amount of depreciation recorded in the accounts.

#### 8. MORTGAGES, NOTES AND SIMILAR INDEBTEDNESS INCLUDE

	(Thousands of dollars)		
	1971	1970	1969
Mortgages			
— on income-producing properties	\$ 14,314	\$ 14,573	\$ 11,543
— on land	292	292	509
Balances owing under agreements to purchase	1,489	1,404	2,746
Notes payable	3,800	4,000	6,000
Debentures — 8%	5,000	5,000	4,600
	<u>\$ 24,895</u>	<u>\$ 25,269</u>	<u>\$ 25,398</u>

Mortgages on income-producing properties bear interest at rates from 6½% to 10½% and mature at various dates from 1972 to 1995.

Principal amounts repayable within the next five years are as follows:

1972	\$4,005,000	1975	\$2,965,000
1973	\$1,061,000	1976	\$2,344,000
1974	\$767,000		

Notes payable by a subsidiary bear interest at the rate of 3¼% increasing to 5% on May 1, 1972 and to 7% on May 1, 1974. \$250,000 of the notes become payable on April 30, 1972 and \$500,000 on April 30 in each of the three succeeding years with the balance payable April 30, 1976. The notes are secured by letters of credit as explained in note 6.

The 8% unsecured convertible debentures mature July 15, 1979 and are convertible into common shares of the company at the rate of one common share for every \$12 of principal up to July 14, 1979. The debentures are redeemable by the company during the period July 16, 1974 to July 14, 1978; the aggregate principal to be redeemed in any 12 month period may not exceed \$500,000.

#### 9. CAPITAL STOCK OUTSTANDING

	Number of Shares	Amount
Pooling of interests basis:		
Shares issued as consideration for 93.3% of the outstanding shares of Aetna-Goldale Investments Limited	1,162,584	\$1,163,000
Other shares issued (none issued in 1971 or 1970)	1,695,540	8,085,000
	<u>2,858,124</u>	<u>\$9,248,000</u>

An officer of the company has a stock option to purchase 30,000 shares of capital stock at \$12 per share on or before July 29, 1974.

125,000 unissued shares are reserved in connection with options which may be granted to officers and key employees of the company and its subsidiaries.

416,667 unissued shares have been reserved for possible conversion of the 8% unsecured convertible redeemable debentures.

#### 10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid to directors and senior officers by the company and its subsidiaries in 1971 was:

Directors and senior officers	\$ 59,500
Senior employees (not directors or officers)	28,082
	<u>\$ 87,582</u>

#### 11. EXTRAORDINARY ITEMS IN STATEMENT OF INCOME

	(Thousands of dollars)		
	1971	1970	1969
Income tax reduction realized on carry-forward of losses from prior years	\$ 96	\$ —	\$ —
Losses on discontinuance of finance business	(42)	(28)	(118)
Gain on sale of investments		52	162
Gain on disposal of mine assets			137
Re-organization expense			(8)
	<u>\$ 54</u>	<u>\$ 24</u>	<u>\$ 173</u>

#### 12. EARNINGS PER SHARE

	1971	1970	1969
Income before extraordinary items	\$ 0.09	\$ 0.16	\$ 0.11
Extraordinary items	0.02	0.01	0.06
Net income for the year	<u>\$ 0.11</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>

The exercise of outstanding stock options and conversion of outstanding debentures would not have a dilutive effect on earnings per share.

#### 13. NON-CASH ITEMS INCLUDED IN THE DETERMINATION OF NET INCOME

	(Thousands of dollars)		
	1971	1970	1969
Depreciation	\$ 186	\$ 206	\$ 155
Deferred income taxes	171	168	(178)
Minority interest	8	(9)	18
Equity in income of affiliate less dividends received	(546)	(297)	(186)
Write-off on termination of agreement with developer of Forest Hills project	374		
Gain on sale of investments		(52)	(162)
Profit on townhouse sales		(142)	
Sundry other items	(87)		8
	<u>\$ 106</u>	<u>\$ (126)</u>	<u>\$ (345)</u>



